

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
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TO SECSTATE WASHDC 936
DEPT OF TREASURY WASHDC

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TREASURY PASS TO SECRETARY BLUMENTHAL'S PARTY

E.O. 11652: NA
TAGS: EFIN, EG
SUBJ: ASSISTANCE FOR EGYPTIAN TAX EFFORT

REF (A) JERUSALEM 1692, (B) 76 CAIRO 3033

1. PRIOR TO OCTOBER 1977 VISIT OF SECRETARY BLUMENTHAL, SUBJECT OF U.S. TECHNICAL ASSISTANCE TO EGYPT IN TAX FIELD WAS MOST RECENTLY RAISED WITH CABINET-LEVEL GOE OFFICIALS DURING MARCH 1976 TRIP OF FORMER SECRETARY SIMON (SEE REF B). THEN- MINISTER OF FINANCE ABU ISMAIL INDICATED AT THAT TIME HE WANTED TO FOLLOW UP ON EARLIER OFFER BY SECRETARY SIMON (MADE ON 1974 VISIT) OF TAX ADVISORY GROUP AND TO SEND 30 OR 40 SENIOR OFFICIALS FOR TRAINING IN U.S. IN FACT, THIS WAS NOT DONE.

2. IN ACTUALITY, 1974 TREASURY-GOE CONTACT ON THIS SUBJECT WAS FOLLOWED BY AID-FUNDED SURVEY OF TAX ADMINISTRATION BY IRS/TAASD PRESENTED IN REPORT DATED JUNE 1975. SUBSEQUENTLY, SIX MINFINANCE OFFICIALS ATTENDED (THROUGH AID FUNDING) FOUR-MONTH MIDDLE MANAGEMENT TAX ADMINISTRATION COURSE ARRANGED BY IRS.
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TDY IN EGYPT SEPT-OCT 1976 OF TAASD ASST DIRECTOR NEWMAN RESULTED IN REPORT, WITH SUPPLEMENTAL COMMENTS, DATED NOVEMBER OF THAT YEAR.

3. SINCE BEGINNING OF 1977, FIVE MINFINANCE OFFICIALS HAVE BEEN SENT UNDER AID AUSPICES TO COMPARATIVE TAX ADMINISTRATION SEMINAR ORGANIZED BY IRS AND ONE ADDITIONAL OFFICIAL TO

UNIVERSITY OF SOUTHERN CAL COURSE IN CUSTOMS AND EXCISE TAX ADMINISTRATION. TWO MIDDLE MANAGEMENT OFFICIALS ARE NOW IN ONE-YEAR SPECIALIZED TRAINING IN TAX MATTERS.

4. IN SUM, PRINCIPAL RESULT OF EARLIER EXPRESSIONS OF INTEREST IN TECHNICAL ASSISTANCE BY GOE HAS BEEN SOMEWHAT UNFOCUSSED TRAINING EFFORT INVOLVING, THUS FAR, SLIGHTLY MORE THAN A DOZEN MINFINANCE MIDDLE-LEVEL EMPLOYEES. CURRENTLY USAID IS INVOLVED IN DISCUSSIONS WITH MINFIN RE A RECENT REQUEST FOR EIGHT MORE TRAINING COURSES -- FOUR EACH IN TAX ADMINISTRATION AND CUSTOMS, PROBABLY AT USC INSTITUTE OF TAX ADMINISTRATION.

5. MINFIN REPORTEDLY IS PREPARING AN OVERALL LONG-TERM TRAINING PLAN. USAID ALSO HAS REVIEWED, AT MINISTER'S REQUEST, A PROPOSAL TO INITIATE COMPUTERIZATION IN THE TAX ADMINISTRATION OPERATION. WE BELIEVE PROPOSAL'S ANALYSIS NEEDS TO BE CLARIFIED AND A MORE EXTENSIVE SCOPE OF WORK PREPARED ON A COMPREHENSIVE STUDY OF FURTHER COMPUTERIZATION AT THE MINISTRY. SEPTEL WILL FOLLOW REQUESTING ASSISTANCE WITH THESE TWO ACTIVITIES.

6. USAID IS IN PROCESS OF RESPONDING FORMALLY TO THE MINISTER REGARDING STATUS OF ITS REVIEW OF COMPUTERIZATION PROPOSAL. WE CAN RAISE SEPARATELY WITH MINISTRY QUESTION OF MORE EXTENSIVE TECHNICAL ASSISTANCE IN TAX ADMIN, POLICY AND ORGANIZATION AND CAN SUGGEST THAT IT MAY BE DESIRABLE TO HAVE TDY EXPERT(S) (TO BE REQUESTED SEPTEL) WORK WITH US ON LIMITED OFFICIAL USE

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ASSESSING MINFIN TA NEEDS. GOE'S OVERALL TRAINING PLAN (WHICH MAY ALSO REQUIRE SOME TA), WHEN PREPARED, SHOULD GIVE US BETTER HANDLE ON NEEDS IN THAT REGARD.

7. EMBASSY/USAID AGREE IT WOULD BE APPROPRIATE FOR US TO BE AS RESPONSIVE AS POSSIBLE TO RENEWED EXPRESSION OF INTEREST BY CHANGED GOE ECONOMIC LEADERSHIP, BUT BELIEVES TIME PROBABLY HAS PASSED FOR PROVISION OF ASSISTANCE EMPHASIZING GENERAL TAX POLICY AS FOCUS. BILATERAL TAX TREATY HAS BEEN NEGOTIATED AND IS EXPECTED TO ENTER INTO FORCE IN A FEW MONTHS. LONG-DELAYED GOE TAX REFORM BILL HAS REACHED POINT OF DETAILED CONSIDERATION BY LEGISLATURE. (WE UNDERSTAND ABOUT ONE-FOURTH OF BILL'S 130-ODD PROVISIONS HAVE CLEARED ASSEMBLY COMMITTEE HURDLE; REMAINDER AWAIT NEW SESSION BEGINNING IN NOVEMBER.) GIVEN THIS WELL-DEVELOPED LEGISLATIVE INITIATIVE, U.S. TECHNICAL ASSISTANCE THEREFORE PROBABLY WOULD BE MOST USEFUL AT THIS TIME IN OPERATIONAL TAX MATTERS SUCH AS ADMINISTRATION, ORGANIZATION OF TAX AUTHORITY AND TRAINING AS STRESSED IN BOTH TAASD REPORTS. HOWEVER, WE BELIEVE TAX POLICY AREA SHOULD NOT BE COMPLETELY IGNORED, GIVEN LONG LEAD TIME IN GOE FOR PREPARATION OF MAJOR POLICY CHANGES. IN FACT, CURRENT PROPOSALS ARE CONSIDERED TO BE ONLY INITIAL EFFORT IN THIS AREA AND MORE CHANGES WILL

BE NEEDED.

8. INITIAL ASSISTANCE WILL BE REQUESTED SEPTTEL. NEXT STEP
WOULD APPEAR TO BE QUERY MINFIN WHETHER U.S. EXPERTISE WOULD
BE USEFUL IN HELPING PREPARE TRAINING PLAN AND TO PREPARE TA
PACKAGE REGARDING OPERATIONAL MATTERS WITH SOME TAX POLICY
CONSIDERATIONS AS WELL. IF RESPONSE IS POSITIVE, AS WE
EXPECT, REQUEST FOR TDY EXPERT OR EXPERTS COULD GO FORWARD.

9. PLEASE ADVISE. PRINCIPAL GOE CONTACT WILL E, AS IN
PAST, MINFIN FIRST UNDERSECRETARY FOR GENERAL REVENUE AFFAIRS
SAYEH HABIB.
EILTS

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